

Daily Economic News Summary: 22 December 2015

1. India will be fastest growing economy over next 10 years: Harvard researchers

Source: **Economic Times** ([Link](#))

India, with a projected annual growth rate of 7 per cent, has the potential to be the world's fastest growing economy over the coming decade, surging ahead of its South Asian economic rival China that will continue to see a slowdown, according to Harvard researchers. *"India has the potential to be the fastest growing economy over the coming decade... India tops the global list for predicted annual growth rate for the coming decade, at 7.0 per cent,"* new growth projections presented by researchers at the Centre for International Development (CID) at Harvard University showed. *"This far outpaces projections for its northern neighbour and economic rival, China, which the researchers expect to face a continued slowdown to 4.3 per cent growth annually to 2024"*, the report said.

South Asia and East Africa have the greatest potential for "rapid growth" as oil economies and other commodity-driven economies face the slowest growth outlook, it said. *"India has made important gains in productive capabilities, allowing it to diversify its exports into more complex products, including pharmaceuticals, vehicles, even electronics,"* said Ricardo Hausmann, Professor of the Practice of Economic Development at Harvard Kennedy School and CID director.

2. Iran woos Indian refiners to drive oil sales in cut-throat market

Source: **Economic Times** ([Link](#))

Spurred by the prospect of an end to western sanctions, Iran has agreed to consider Indian demands for steep oil price discounts and other buying incentives, sources said, as it works to rebuild market share in a world awash with crude. Tehran's return to the market will deepen a global supply glut that has cut benchmark Brent crude prices by two-thirds since 2014, below the lows hit during the 2008 financial crisis and to levels last seen in 2004, leaving producers to battle for market share.

The National Iranian Oil Company's international affairs director, S.M. Ghamsari, met Indian refiners last week, the sources told Reuters, including firms that halted imports from Tehran because of the sanctions. Rather than quoting its own terms and prices, people involved in the negotiations said the Iranian delegation made the rare move of asking the refiners for proposals that would make their supplies more competitive than those of rivals.

3. India re-negotiating terms of gas contract with Qatar: Oil Minister Dharmendra Pradhan

Source: **Economic Times** ([Link](#))

India is re-negotiating the terms of long-term gas contract with Qatar to reflect the slump in global energy rates but no binding agreement has been signed so far, said Oil Minister Dharmendra Pradhan. Petronet LNG Ltd (PLL), India's biggest gas importer, is in talks with RasGas to rework pricing formula after liquefied natural gas (LNG) under the existing 25-year contract coming for double the rate available in spot or current market. "PLL is in talks with RasGas Company of Qatar to re-negotiate the terms of long-term gas agreement. However, no binding agreement has been executed so far," he said in a written reply to a question in Lok Sabha here.

Pradhan said PLL has a contract to buy 7.5 million tonnes a year of LNG from RasGas on a long-term contract that ends in April 2028. Officials said the revised price has been in-principle agreed between the two and will help cut the rate by about half to \$6-7 per million British thermal unit.

4. Digital focus, premium products to drive FMCG growth: BCG

Source: **Business Standard** ([Link](#))

The future of consumer goods companies in the country depends on how they evolve in digital communication, e-commerce and premium products, according to the Boston Consulting Group (BCG). India's fast-moving consumer goods (FMCG) industry faces slowing sales growth, increasing distribution costs and higher attrition rates, and redrawing organisational structures, integrating market strategies and adapting to emerging trends will be critical, says a report published by BCG and the Confederation of Indian Industry (CII).

The branded FMCG products market in India will touch Rs 15,60,000 crore (\$240 billion) in 2025 from Rs 4,22,500 crore (\$ 65 billion) now, growing at 14 per cent a year, the report says. Households with yearly incomes above Rs 10 lakh are expected to form 48 per cent of the market by 2025 from 24 per cent now. *"Companies will need to invest in building premium brands, delivering superior products through packaging, design and experience,"* the report adds. Over 200 million consumers, with a buying capacity of Rs 2,92,500 crore (\$45 billion) — or 35 per cent of the branded FMCG market in 2025 — will be influenced digitally, BCG argues. *"A third of the FMCG products' market will be driven by the online platform by 2020. However, companies in India are yet to establish their online presence,"* said Abheek Singhi, senior partner and director, BCG India.

According to the report, nearly 15 per cent of the FMCG market will be driven by e-commerce in 2025. *“E-commerce in Indian FMCG will be bigger than the modern trade channel in the next few years,”* Singhi added. Major FMCG companies have teams for modern trade but not for e-commerce and digital communication.

5. Modi’s Moscow visit could see \$7 Bn defence deals

Source: **The Statesman** ([Link](#))

Prime Minister Narendra Modi heads to Moscow on Wednesday for a two-day state visit during which \$7-billion worth defence deals are likely to be inked besides boosting ties in the nuclear energy sector. An agreement on joint Indian-Russian production of Kamov-226T helicopters is likely to be signed during Modi’s visit. The prime minister is travelling to Moscow for the annual summit with President Vladimir Putin. As part of the inter-governmental deal for producing over 200 Kamov-226T choppers, Russian Helicopters is to manufacture the Light Utility Helicopter (LUH) in India, likely in partnership with Anil Ambani’s Reliance as the prime production agency. The deal, said to be worth \$1 billion, would seek to replace the ageing Chetak-Cheetah fleet of choppers.

Last week, the Defence Acquisition Council (DAC) chaired by Defence Minister Manohar Parrikar cleared the purchase of five S-400 Triumf long-range anti-ballistic air defence systems from Russia. The deal is believed to be worth Rs.70,000 crore. Besides, both sides are to negotiate regarding the purchase of two Project 636 Varshavyanka diesel-electric submarines, three Project 11356 frigates, and 48 Mi-17V5 military-transport helicopters, according to a media report. It said that talks are being held for the purchase of some 150 combat infantry vehicles BMP-2K, and also modernisation of the Il-78 and Il-76 fleet of the Indian Air Force. A decision on the Project 971 nuclear submarine is also expected. The Russians had offered Kashalot K-322 nuclear power submarine of project 971 Shchuka to India and talks were on for some months. The Russians have offered to upgrade the submarine based on Indian requirements and to handover the vessel in 2018.

By Harsha Hazarika

